



Pre—Auction Note April 2026 Bonds

For the month of April, the Central Bank of Kenya (CBK) has conducted two bond auctions, with the second and final auction scheduled for tomorrow, 15th April 2026, marking the bidding deadline. The fiscal agent is reopening SDB1/2011/30 and issuing FXD1/2026/30 for the first time. This move is in line with the government's medium-term debt strategy aimed at lengthening the maturity profile and easing short-term refinancing pressures.

The two bonds are expected to raise Kes 20Bn to support the budget deficit. They carry coupon rates of 12.0% and 12.50% for SDB1/2011/30 and FXD1/2026/30, respectively, with effective tenors to maturity of 14.8 years and 29.9 years. Our bidding estimates for the two bonds are as follows:

| Bond | Bidding Estimates |
|--------------|-------------------|
| SDB1/2011/30 | 13.18% - 13.38% |
| FXD1/2026/30 | 14.08% - 14.33% |

SDB1/2011/30 was reopened three times last year and generally underperformed relative to concurrent issuances, reflecting subdued investor appetite. The current issuance also comes against a backdrop of heightened geopolitical tensions and a revised upward inflation outlook, both of which are likely to exert upward pressure on yields.

For FXD1/2026/30, the bond introduces a new long-end benchmark, effectively becoming the longest tenor on the curve. However, its coupon rate appears relatively conservative given the extended maturity, which may limit its attractiveness for buy-and-hold investors. As such, participation may be skewed towards investors seeking trading opportunities rather than long-term positioning.

In addition, recent auction trends indicate a clear investor preference for shorter-duration papers. Coupled with the historically low subscription levels observed for SDB re-openings, this auction may face the risk of under-subscription. See below the details of the bonds:

| Paper | SDB1/2011/30 | FXD1/2026/30 |
|------------------------------|-----------------------------------|--------------|
| Maturity Date | 21-Jan-41 | 13-Mar-56 |
| Effective Tenor (Years) | 14.8 | 29.9 |
| Amount Floated (Kes. Bn) | 20.0 | |
| Amount Outstanding (Kes. Bn) | 50.88 | - |
| Coupon | 12.00% | 12.50% |
| Sale Period | Up to 15 th April 2026 | |

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